



Saskatchewan
Finance

Annual Report 1999

Public Employees Dental Fund



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Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the ninth Annual Report of the Public Employees Dental Fund for the year ending December 31, 1999.

I have the honour to be, Madam,

Your obedient servant,

A handwritten signature in black ink, appearing to read "Eric Cline", with a long horizontal line extending to the right.

Eric Cline
Minister of Finance



Saskatchewan
Public Employees
Benefits Agency

The Honourable Eric Cline
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the ninth Annual Report of the Public Employees Dental Fund for the year ending December 31, 1999.

Respectively submitted,

A handwritten signature in dark ink, appearing to read "Brian Smith", written over a horizontal line.

Brian Smith
Executive Director

INTRODUCTION

The Public Employees Dental Plan was established on February 1, 1982.

The intent of the Plan is to promote good dental health by reducing costs for preventive, routine and major restorative dental work.

Coverage is provided to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

Spouses and dependent children are also eligible for coverage under the Plan.

As at December 31, 1999 there were approximately 27,570 insured employees representing the following participating employer groups:

Agricultural Credit Corporation of Saskatchewan
Battlefords District Health Board - Battlefords
Regional Care Centre
Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Board of the Saskatchewan Centre of the Arts
Cafeteria Board of Saskatchewan
Carlton Trail Regional College
Children's Advocate
Crown Investment Corporation of Saskatchewan
Cumberland Community College
Cypress Hills Regional College
Horned Cattle Fund
Judges of the Provincial Court
Keewatin Yatthe District Health Board
Legislative Assembly (Members of the)
Legislative Assembly Office (Employees of the)
Legislative Counsel and Law Clerk
Legislative Library (Employees of the)
Mamawetan Churchill River Dist. Health Board
Meewasin Valley Authority
Milk Control Board
NDP Caucus Office
New Careers Corporation
North-East District Health Board
Northwest Regional College
Office of the Provincial Auditor
Power Greenhouses Inc.
Prairie West Community College
Public Service of Saskatchewan as defined by the Public Service Act
Saskatchewan Archives Board
Saskatchewan Arts Board

Saskatchewan Assessment Management Agency
Saskatchewan Communications Network Corporation
Saskatchewan Crop Insurance Corporation
SaskEnergy Incorporated
Saskatchewan Institute of Applied Science and Technology
Saskatchewan Government Insurance
SGI Canada Insurance Services Limited
Saskatchewan Health Information Network
Saskatchewan Human Rights Commission
Saskatchewan Liquor & Gaming Authority
Saskatchewan Party Caucus
Saskatchewan Power Corporation
Saskatchewan Property Management Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
St. Louis Alcoholism Rehabilitation Centre
South Central District Health Board - Souris
Valley Regional Care Centre
South Saskatchewan River Irrigation District #1
Trans Gas Limited
Wakamow Valley Authority
Wanuskewin Heritage Park Corporation
Wascana Centre Authority
Western Development Museums
Workers' Compensation Board (The)

OPERATION OF THE PLAN

Administration

The Public Employees Dental Plan is self-insured and is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

Canada Life Assurance Company is on contract under an Administrative Services Only agreement to provide claims adjudication and benefit payment services to the Plan.

Funding

Funding for the Plan is totally employer paid as a percentage of gross salary. Effective January 1, 1998, premium funding was paid at a straight rate of 1% of gross salary.

Premium funding rates for 1997 were as follows:

January through April	.7%
May	1.5%
June through December	.8%

Benefits

The Plan provides three levels of coverage as follows:

		<u>Reimbursement</u>
Level I	Preventive Services	100%
Level II	Basic & Routine Services	75%
Level III	Major Restorative Services	50%

Eligible dental expenses are reimbursed to a maximum of the fees outlined in the suggested fee guide issued by the College of Dental Surgeons of Saskatchewan.

Additional coverage for enhanced dental benefits has been provided for certain employer and union groups.

Premiums/Claims Experience

	<u>Dec 31, 1999</u>	<u>Dec 31, 1998</u>
Premiums	\$12,833,231	\$11,780,348
Claims	\$9,673,630	\$8,132,417
# Claims Paid	71,068	74,849

MANAGEMENT'S REPORT

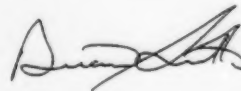
To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Dental Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Dental Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with generally accepted accounting principles.

We enclose the financial statements of the Public Employees Dental Fund for the year ended December 31, 1999 and the Provincial Auditor's report on these financial statements.



Brian Smith
Executive Director
Public Employees Benefits Agency



Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Regina, Saskatchewan
February 15, 2000

PUBLIC EMPLOYEES DENTAL FUND

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1999

AUDITOR'S REPORT

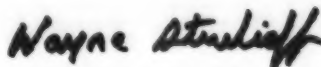
To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Dental Fund as at December 31, 1999 and the statements of operations and net assets and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
February 15, 2000



Wayne Strelloff, CA
Provincial Auditor

**PUBLIC EMPLOYEES DENTAL FUND
STATEMENT OF FINANCIAL POSITION**

STATEMENT 1

AS AT DECEMBER 31

	<u>1999</u>	<u>1998</u>
ASSETS		
Due from General Revenue Fund (Note 3)	\$7,152,904	\$4,100,392
Employer contributions receivable (Note 6)	<u>736,404</u>	<u>520,109</u>
Total Assets	<u>\$7,889,308</u>	<u>\$4,620,501</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable (Note 6)	\$ 106,589	\$ 112,029
Unpaid claims (Note 7)	<u>1,368,237</u>	<u>976,754</u>
	<u>1,474,826</u>	<u>1,088,783</u>
NET ASSETS (STATEMENT 2)	<u>6,414,482</u>	<u>3,531,718</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$7,889,308</u>	<u>\$4,620,501</u>

(See accompanying notes to the financial statements)

**PUBLIC EMPLOYEES DENTAL FUND
STATEMENT OF OPERATIONS AND NET ASSETS**

STATEMENT 2

YEAR ENDED DECEMBER 31

	1999		1998
	Budget (Note 8)	Actual	Actual
REVENUE			
Employer contributions	\$12,075,000	\$12,833,231	\$11,780,348
Interest (Note 3)	<u>125,000</u>	<u>266,977</u>	<u>127,652</u>
	<u>12,200,000</u>	<u>13,100,208</u>	<u>11,908,000</u>
EXPENSES			
Claims incurred	8,780,000	9,673,630	8,132,417
Adjudication fees	338,000	351,057	314,888
Revolving Fund administration (Note 4)	<u>243,083</u>	<u>192,757</u>	<u>162,870</u>
	<u>9,361,083</u>	<u>10,217,444</u>	<u>8,610,175</u>
Surplus for the year	2,838,917	2,882,764	3,297,825
NET ASSETS, BEGINNING OF YEAR	<u>3,531,718</u>	<u>3,531,718</u>	<u>233,893</u>
NET ASSETS, END OF YEAR (STATEMENT 1)	<u>\$ 6,370,635</u>	<u>\$ 6,414,482</u>	<u>\$ 3,531,718</u>

(See accompanying notes to the financial statements)

**PUBLIC EMPLOYEES DENTAL FUND
STATEMENT OF CASH FLOWS**

STATEMENT 3

YEAR ENDED DECEMBER 31

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Surplus for the year	<u>\$2,882,764</u>	<u>\$3,297,825</u>
Change in non-cash working capital:		
(Increase) in accounts receivable	(216,295)	(13,619)
(Decrease) increase in accounts payable	(5,440)	14,849
Increase (decrease) in unpaid claims	<u>391,483</u>	<u>(479,571)</u>
Cash flows from operating activities	3,052,512	2,819,484
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	<u>4,100,392</u>	<u>1,280,908</u>
DUE FROM GENERAL REVENUE FUND, END OF YEAR (Statement 1)	<u>\$7,152,904</u>	<u>\$4,100,392</u>

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES DENTAL FUND NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. Description of the Fund

The Public Employees Dental Fund is used to account for the transactions of the Public Employees Dental Plan. The Plan was established February 1, 1982 and continues under subsection 64(2) of *The Financial Administration Act, 1993*. The Plan is designed to promote good dental health among plan members by reducing the members' costs for preventive, routine and major dental services.

The funding of this Plan is paid entirely by the employers who are members of the Plan. Employers consist of the Public Service of Saskatchewan and other Saskatchewan crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

Claims were adjudicated and processed for payment by Metropolitan Life Insurance Company of Canada until August 22, 1999. The Canada Life Assurance Company was appointed as an adjudicator effective August 23, 1999.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant.

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Unpaid Claims

The provision for unpaid claims represents a provision for the cost of claims reported but not paid prior to year end and an estimate of claims incurred but not reported based upon the claims settlement experience.

The estimate of administrative expenses to be incurred on claims settlement is included in the provision for unpaid claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes.

c) Cash and Cash Equivalents

Cash consists of the Due from General Revenue Fund.

3. Due from General Revenue Fund

The Public Employees Dental Fund Bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Dental Fund's interest income is calculated and paid by the General Revenue Fund on a quarterly basis into the Dental Fund's bank account using the Government's thirty day borrowing rate, and the fund's average daily bank account balance. The Government's average thirty day borrowing rate in 1999 was 4.78%.

4. Administrative Costs

Public Employees Benefits Agency Revolving Fund

Pursuant to section 65 of *The Financial Administration Act, 1993* the Public Employees Benefits Agency Revolving Fund (Revolving Fund) is to account for all expenditures paid for the administration of the Public Employees Benefits Agency (PEBA). These costs are charged by the Revolving Fund to the various pension funds and benefit programs administered by PEBA.

According to subsection 64(7) of *The Financial Administration Act, 1993*, sums required for the purpose of administering the Public Employees Dental Fund shall be a charge on and paid out of that fund.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan, collectively referred to as "related parties".

All employer contributions and employer contribution receivables are from related parties.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

6. Financial Instruments

Employer contribution receivables and accounts payable are non-interest bearing and are due or payable within the next year (see Note 3 for Due from General Revenue Fund).

Due to the short-term maturity, the fair value of these instruments approximate carrying value. The Fund is exposed to minimal credit risk from the potential non-payment of accounts receivable.

7. Provision for Unpaid Claims

There are a number of factors used to estimate the provision, such as the Fund's experience with claims, and historical trends involving claim payments. Dental claims are short-tail claims and tend to be reasonably predictable. The determination of the fair value for the claims is not practical.

The establishment of the provision for unpaid claims relies on a number of factors which necessarily involves risks that the actual results may differ materially from the estimates in the near term.

8. Budget

The Fund submitted the budget to Treasury Board.

9. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using the year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.